

# PROMOTING TRANSPARENCY & EFFICIENCY OF SOEs

Baku, Azerbaijan 14 June 2017

## THE MALAYSIAN EXPERIENCE

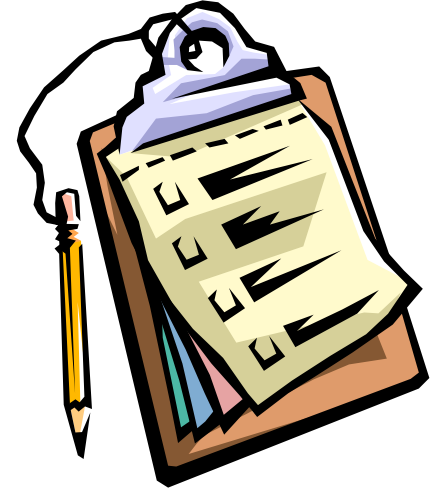
Presenter:

**Aziz Bakar**

ED, Malaysian Directors Academy (MINDA)



# AGENDA



1. Background
2. Why Transform ?
3. What were the Challenges & Priorities ?
4. How & When to implement programmes ?
5. Results...
6. Q & A

# PM'S SPEECH – LAUNCHING OF GLCT (2005)

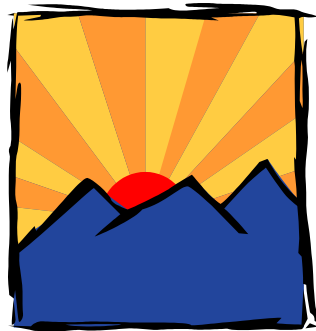
- KPI- Performance linked compensations
- Performance contracts
- Board composition reform
- Revamp of Govt Linked Companies and Govt Linked Investment Companies (**GLC & GLIC**)
- GLC leadership changes



# INVEST MALAYSIA FORUM



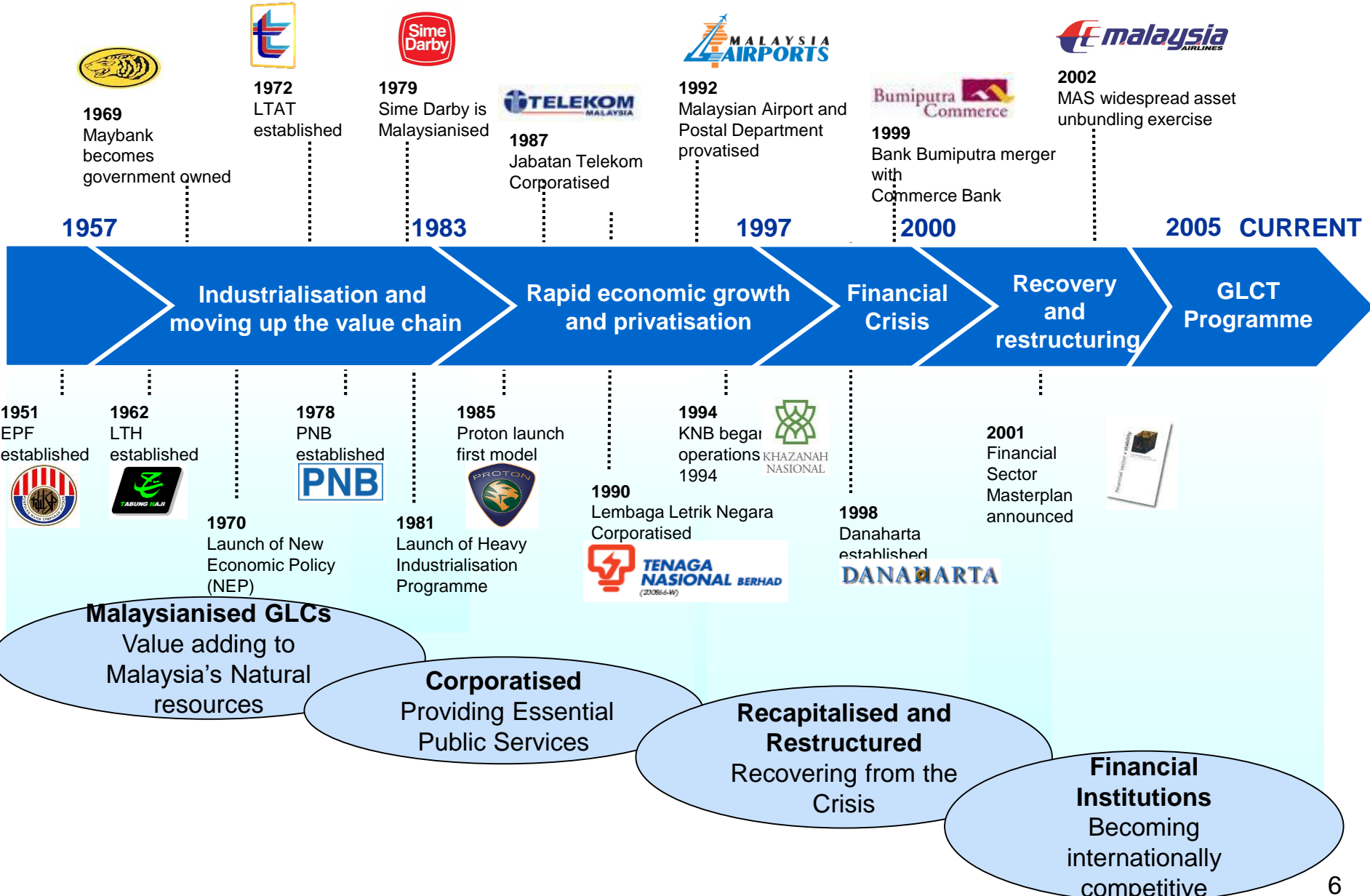
- The Govt is committed to ensure GLCT continues to be implemented, if anything with greater urgency and focus
- GLCs must aspire to greater heights, whether best in class or emerging as future regional if not global champions



# MALAYSIA HAS 2 TYPES OF SOEs...

1. **GLCs** are listed on the Malaysian Stock Exchange and controlled by **Federal Level GLICs**
  2. **SOEs** are private companies which are wholly owned by the Government via Ministry of Finance (**MoF Inc.**)
- This Transformation Programme only covers GLCs companies where :
    - GLICs are either the majority or single largest shareholder
    - GLICs have ability to exercise and influence e.g.
      - Appointment of Boards and Senior Management
      - Award of tenders and contracts via Board
      - M&A, divestment, strategy, restructuring and financing, etc.

# HISTORY AND EVOLUTION OF GLCs

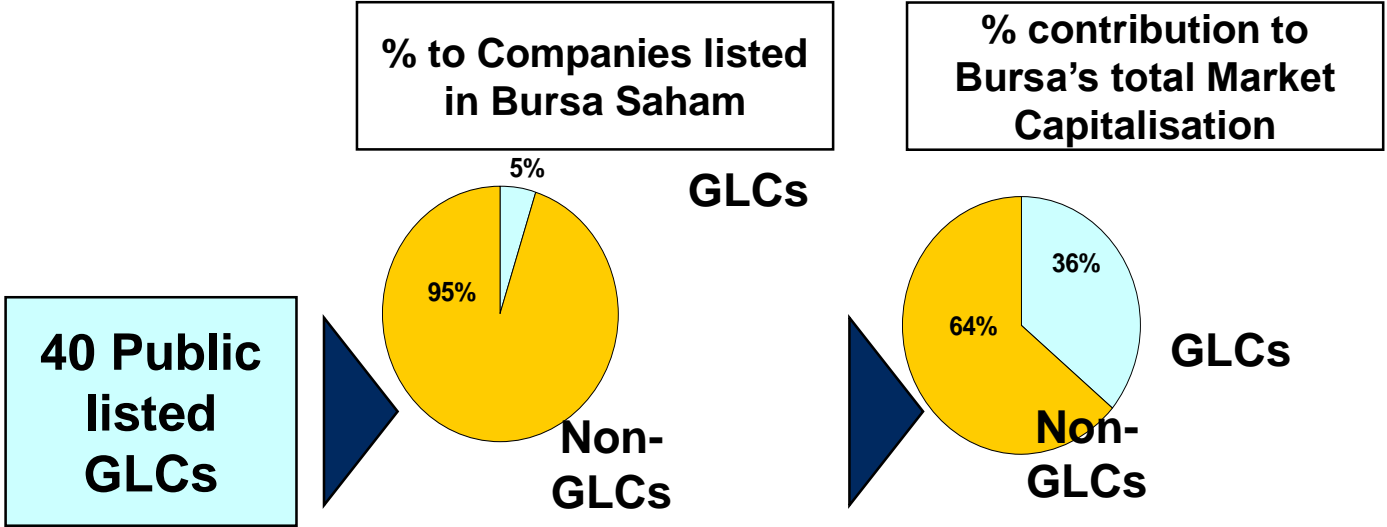


# GLCs are major contributors to the nation

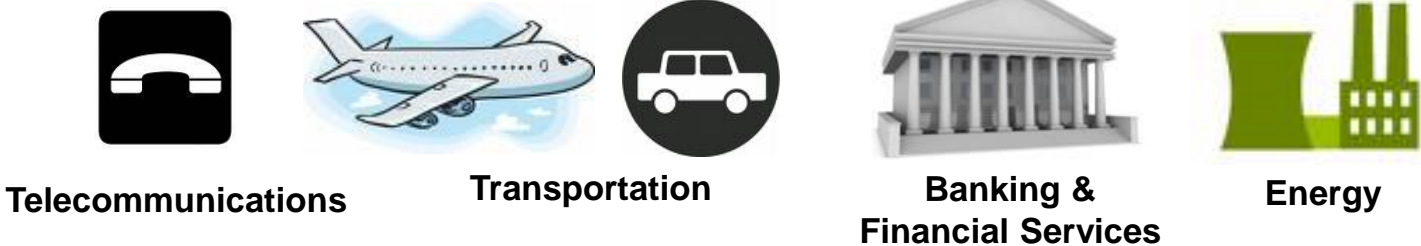
National workforce

GLCs account for **5%** of national workforce

Significant part of nations economy<sup>1</sup>

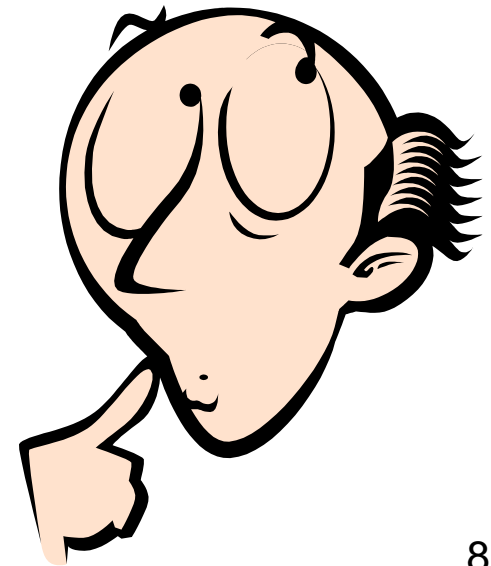


Mission critical service provider



# WHY TRANSFORM

?





# Reason #1

GLCs play a significant role in Malaysia's economy

# Reason #2

GLCs

underperforming the market  
over past 15 years prior to  
2005

# Reason #3

Time to Vision 2020 is short  
(15 years left when GLCT  
started)

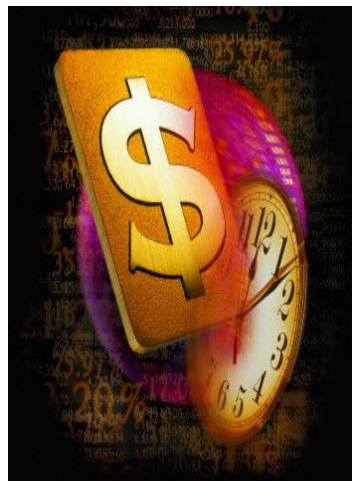


# Reason #4

Increasing market  
liberalisation and  
competition

# Reason #5

Malaysia is caught in  
the middle income trap



**MAJOR  
CHALLENGES  
FACED...  
PRIORITIES**



# GLCs with different backgrounds and origin...

## Malaysianised GLCs

Companies formed during colonial days of Malaya



Golden Hope



Kumpulan Guthrie Berhad

## Corporatised GLCs

Originally established as Government departments



TENAGA NASIONAL BERHAD  
(2008-6-W)



## Restructured GLCs

Established during the Industrialisation drive, but affected by the Asian crisis



MRCB



## Financial Institutions

Banks were established by the Government or recapitalised by the government



## Turnarounds



## Transformation transactions



## Regional Growth

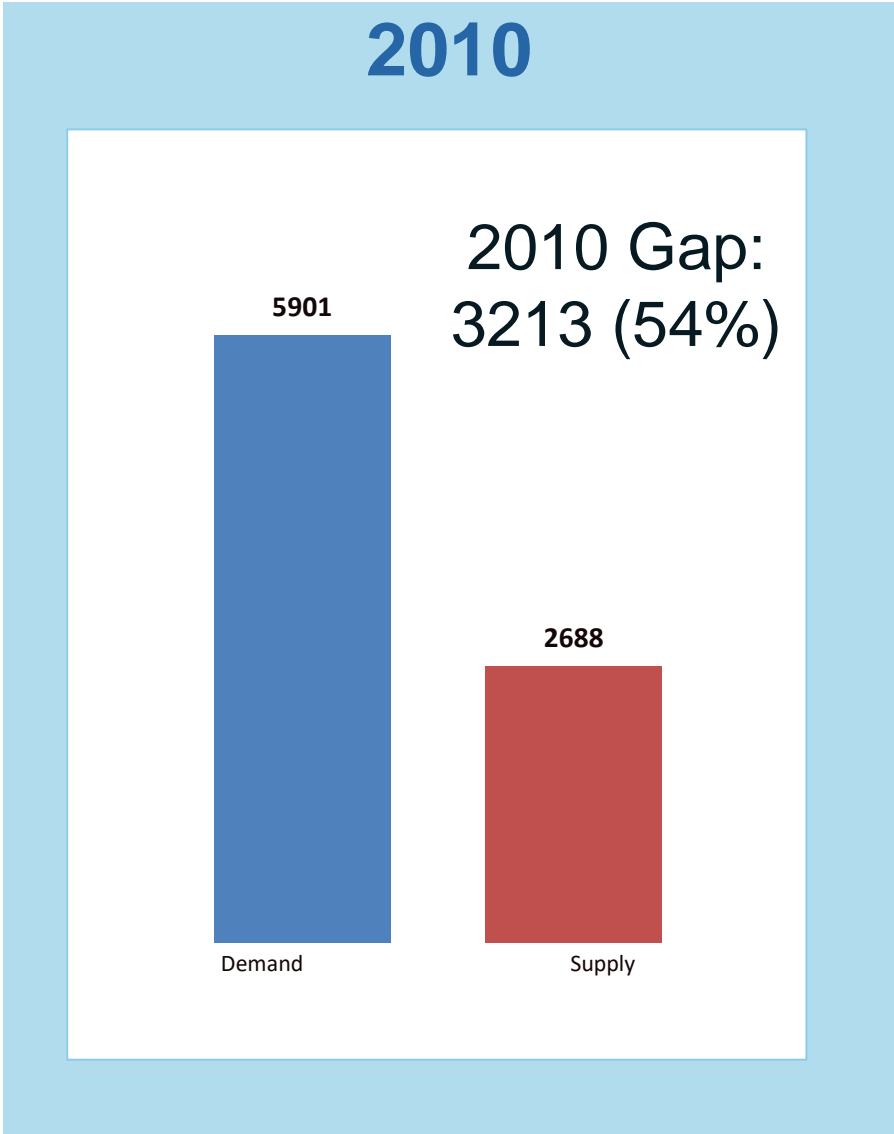




# The massive gap in talent, execution skills and capabilities at GLCs



# G20 LEADERSHIP GAP



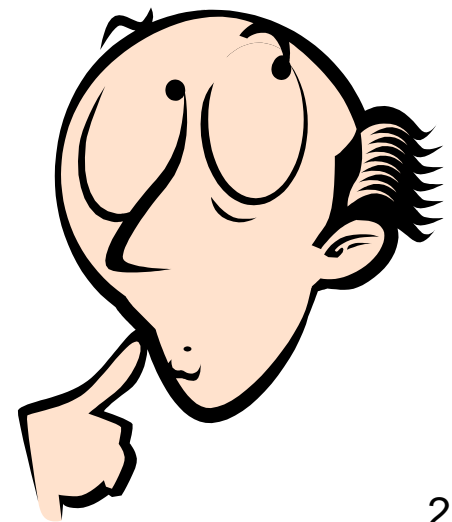
# Developmental vs commercial roles of GLCs ?



**Continued &  
broader support  
from all  
stakeholders**

Need to enhance public  
sector transformation in  
parallel with GLCT  
reforms

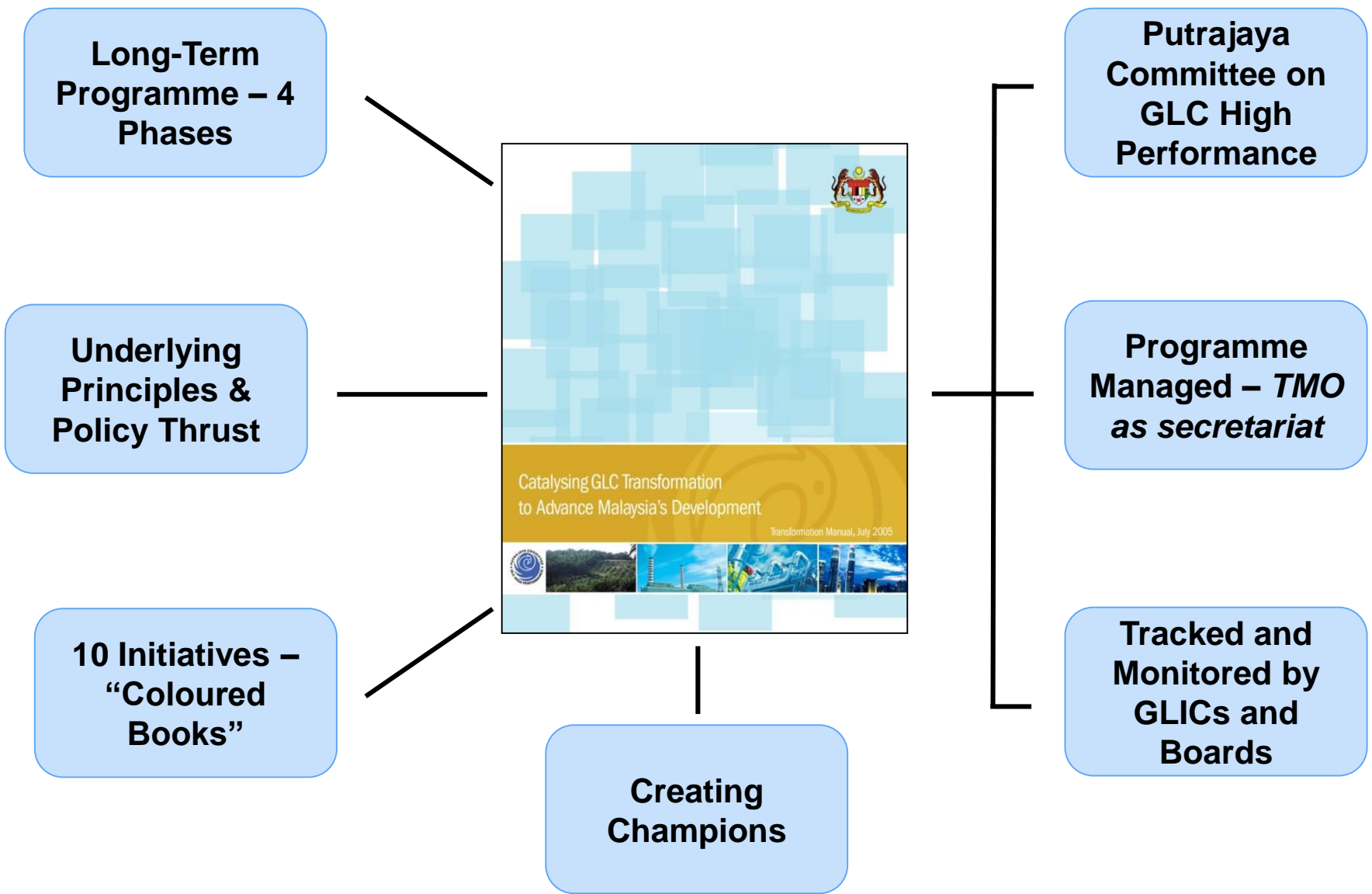
# HOW & WHEN TO IMPLEMENT THE PROGRAMMES...



# GLCT Programme delivery structure

## Spirit & Context of the Programme

## Governance Element



# GLCT Programme based on 3 Underlying Principles...

## Area of Focus

### 1 National Development

1. Equity growth
2. Human capital development
3. Bumiputera community development

### 2 Performance Focused

1. Creation of economic and shareholder value

### 3 Enhanced GLC Governance

1. Implementation of policy guidelines through GLC Boards
2. Improvement of stakeholder engagement



# And supported by 5 Policy Thrusts

## Linkage to the 10 Books

1. Clarify GLCs Role

1. GLCT Programme apply to GLCs held by Federal-level GLICs.
2. Excludes state-controlled or state-linked companies

2. Enhance GLC Boards



Green Book



MINDA

3. Strengthen GLIC Capabilities



GLIC M&M

4. Adopt Best Practices



White Book



Silver Book



Red Book



Purple Book



Orange Book



Blue Book



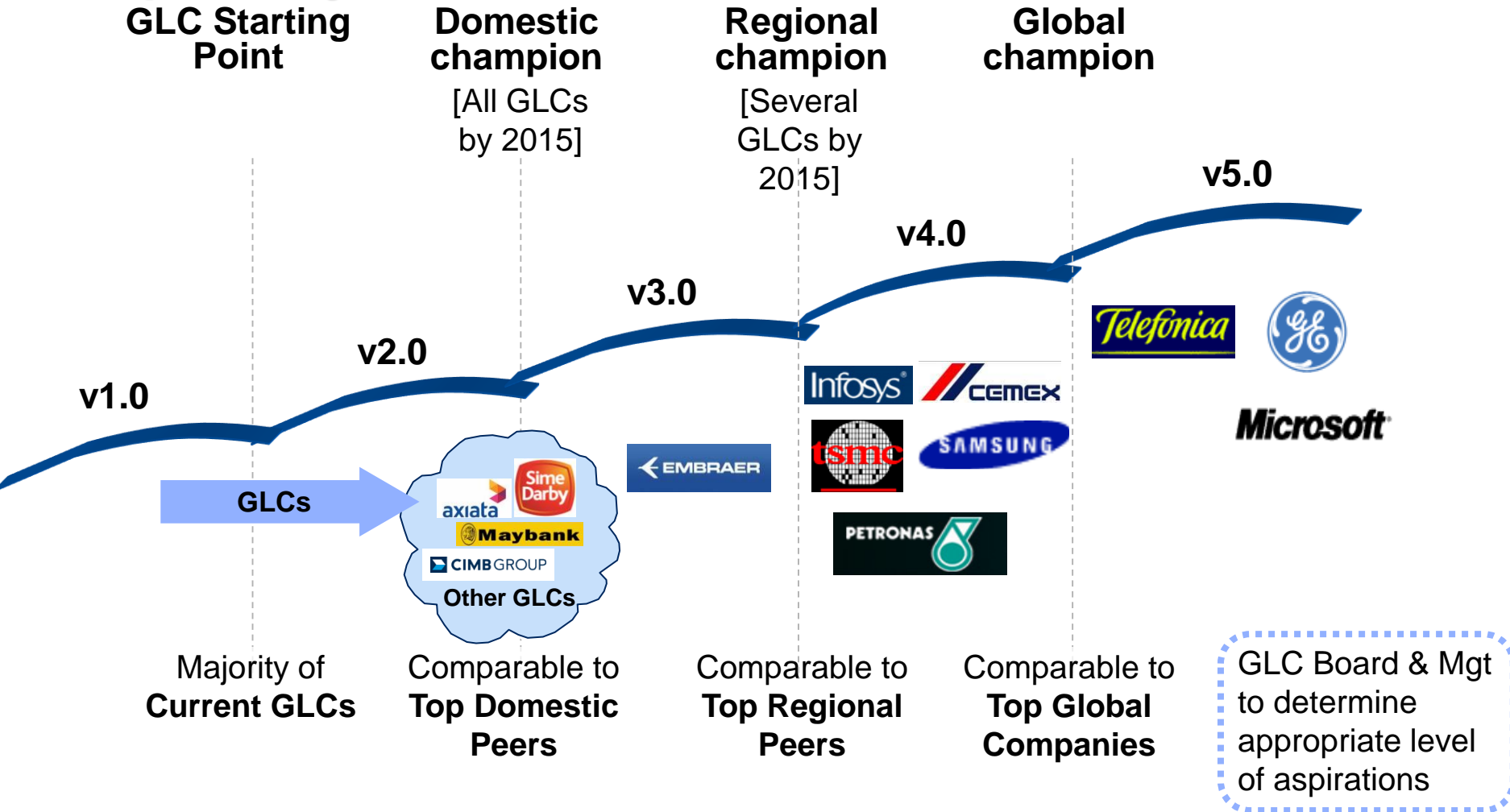
Yellow Book

5. Implement GLCT Programme

## Key Agents

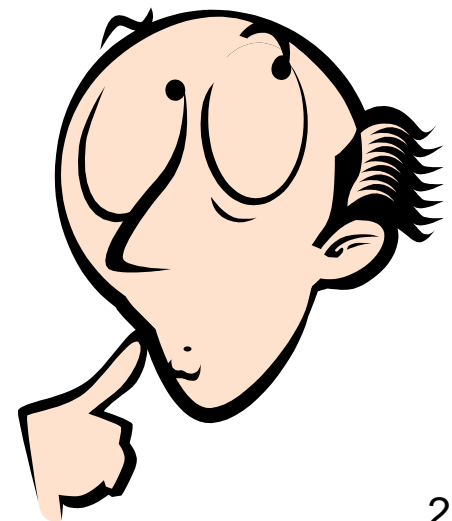
- ① GLC Mgt & Board
- ② GLICs
- ③ Government
- ④ PCG/ TMO

# GLCT Programme aspires to create regional or even global champions by 2015



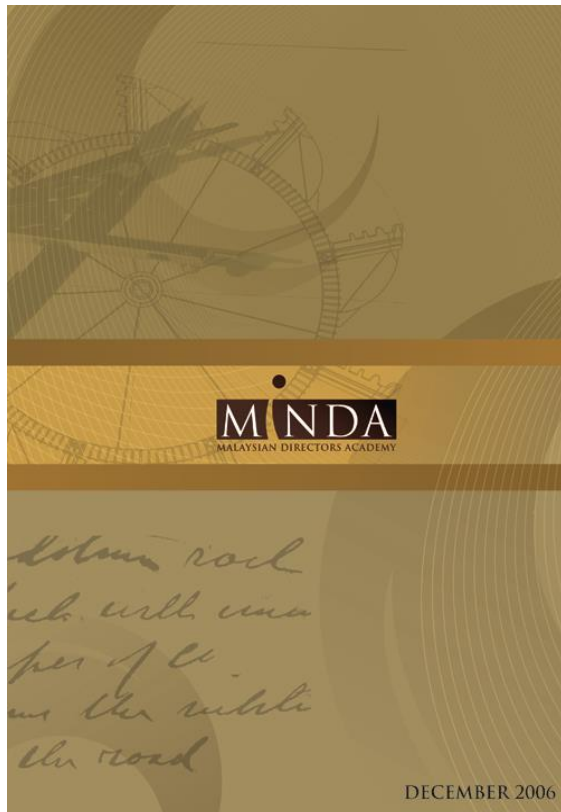
Examples of Metrics for Success:	Performance (e.g. Profitability, Growth, Market Share)	Scope (e.g. Geography, No. of Markets)	Scale (e.g. Revenues)	Capabilities (e.g. Operations, branding, etc.)	Resilience (e.g. against systemic and non-systemic risk)
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**DO WE HAVE THE  
RIGHT PEOPLE  
TO EXECUTE...**



# MALAYSIAN DIRECTORS ACADEMY (MINDA)

## Upgrading Board Effectiveness and Reinforcing Corporate Governance



① Equipping Boards with **world class knowledge, mindset and skill** to perform at a consistently high standard

②

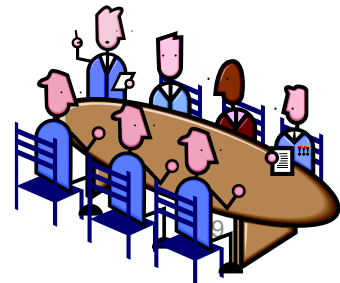
### Key Highlights of MINDA

- **Partnerships** with both **international and local institutions** e.g. IMD
- Engage best case writers to prepare examples **most relevant to Directors**
- Programmes design to provide **on-the-job learning and coaching**

# INTRO TO MALAYSIAN DIRECTORS ACADEMY (MINDA)



- Established in December 2006 following the launch of the Government-Linked Companies Transformation Programme (GLCT) Initiatives in 2005.
- Incorporated as a non-profit company limited by guarantee under the Ministry of Finance.
- **Objectives** - to address Board performance by equipping Directors of Companies with world-class i.e. **Knowledge, Skills and Mindsets** required to perform to a consistently high standard.
- **Strategies** - Assisting Boards in focusing on their fundamental roles & responsibilities i.e. **Structure, Process & Culture** such as good corporate governance, long term strategy direction, performance management, development of future leaders, risk management, innovation, creativity, CSR etc



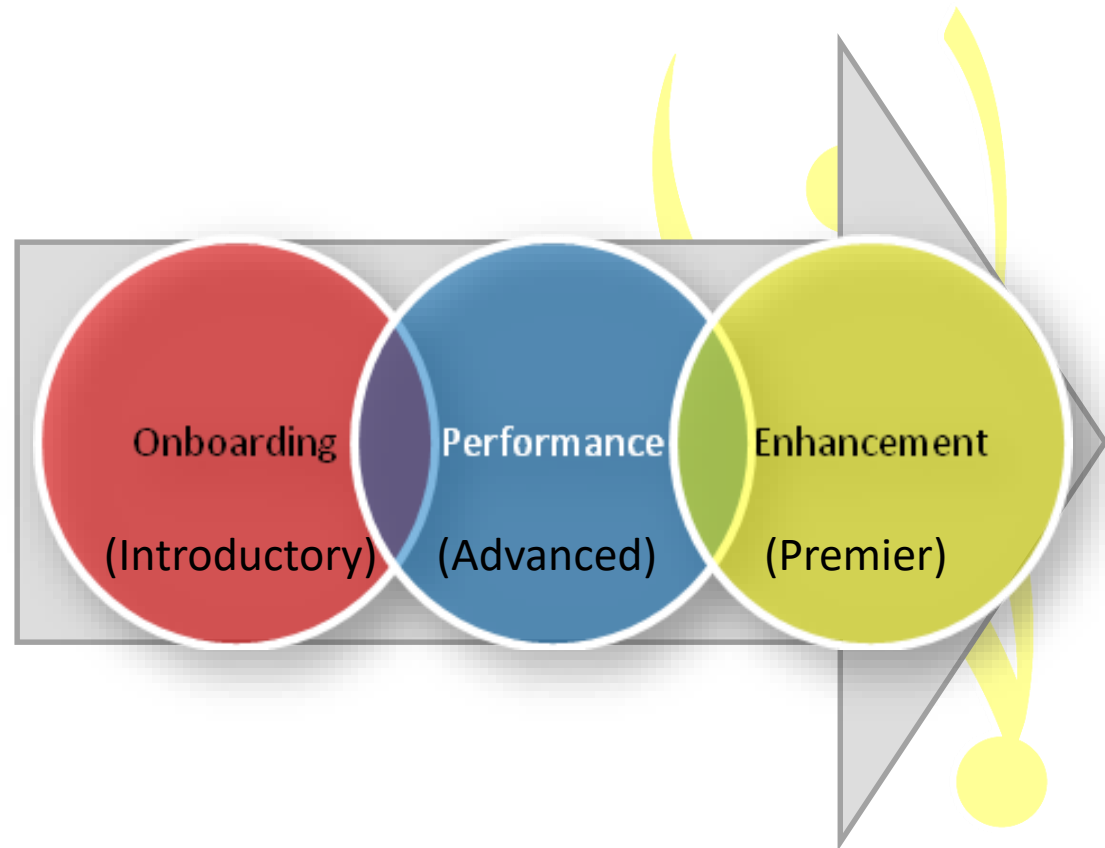
# PHASES OF DIRECTOR DEVELOPMENT

To ensure excellent performance, there are 3 main development phases :

**Onboarding:** Getting into the role effectively and efficiently.

**Performance:** Knowing what to do to get companies to perform.

**Enhancement:** Above and beyond the needs of the job, and able to lead companies towards high performance



**HOW DID WE  
PERFORM...**







# Key GLCT Programme milestones

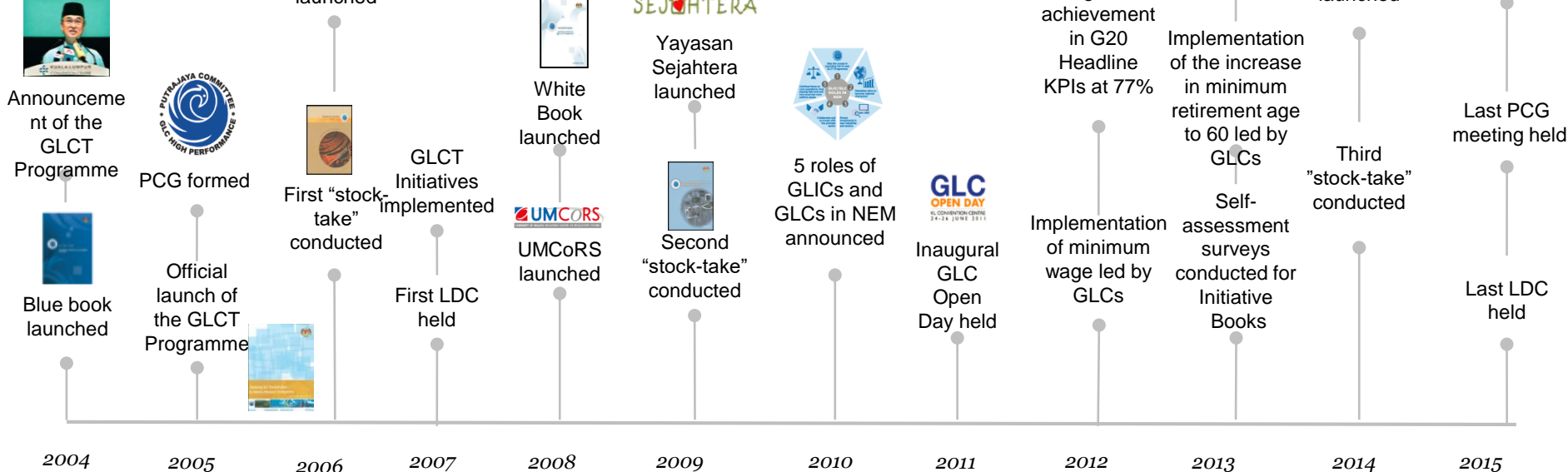
## 3 Underlying Principles

- i. Performance Focus
- ii. National Development Foundation
- iii. Governance, Shareholder & Stakeholder Management

## 5 Policy Thrusts

- i. Government clarifies GLC mandate
- ii. Enhance GLC Board effectiveness
- iii. Enhance GLIC capabilities
- iv. GLC adopt best practices
- v. PCG Secretariat implement Programme

## 10 Initiatives



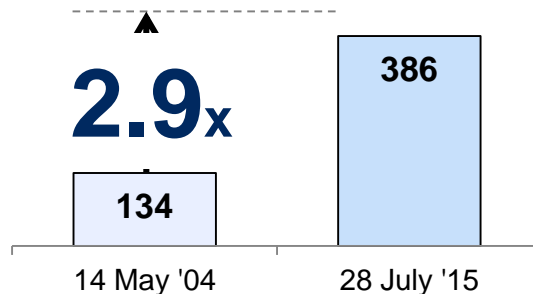
# G20 delivered strong financial performance over the past 10 years

Total Shareholder Return grew...

**11.1% p.a.**

...from 14 May '04 to 28 July '15, tracking the broader KLCL.

Market Capitalisation (RM b) grew...



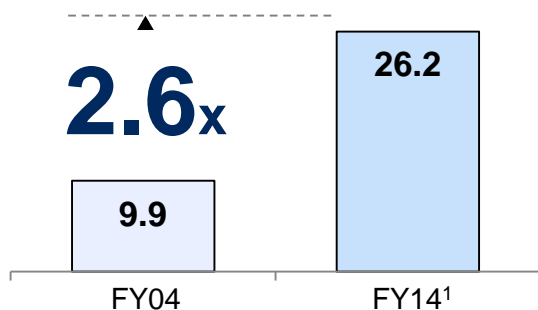
...or **RM252b** from 14 May '04 to 28 July '15.  
*(Market Cap all-time high of **RM431b** was recorded on the 7 Apr 2015)*

Return On Equity hit...

**11.0% p.a.**

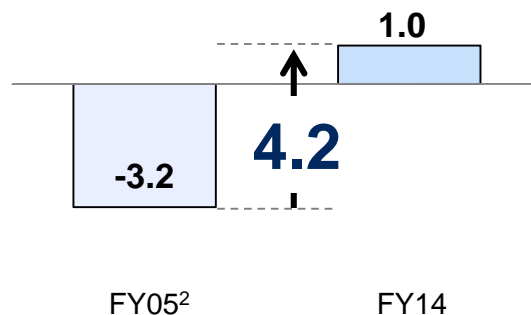
...on average from FY04 to FY14.

Net Profit (RM b) up...



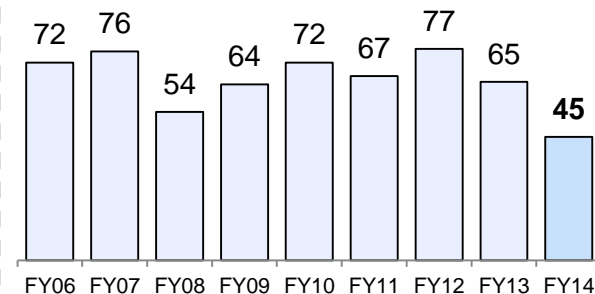
...or **10.2% p.a.** from FY04 to FY14.  
*(Close to the all-time high of **RM26.3 billion** recorded in FY2013)*

Economic Profit (RM b) up...



...from FY05 to FY14.

Headline KPIs (%)



45% headline KPIs achieved in FY14.

1. FY14 extraordinary break-up basis adjustments due to the restructuring of MAS have been excluded to provide a fair view of operational performance

2. Economic Profit started being tracked since the official launch of the GLCT Programme in FY05

Note: In G20's TSR & market capitalisation computation, UEM Sunrise (TSR only) & UEM Edgenta (previously known as UEM Faber) are used as a proxy for UEM Group Berhad while MAS has been excluded due to its delisting

# GLCT Programme 2005 – 2015: 10 achievements – a perspective

1. **Completing unfinished business** – post-1998 Asian Financial crisis



2. **Transforming erstwhile underperforming GLCs**

- successfully reversing decades of underperformance
- significant improvement in competitive positions



3. **Superior financial performance and prudential risk and financial management**

4. **Better distribution of returns**

- dividends and taxes



5. **Better corporate governance: Doing the right things, in the right way**

6. **Development of human capital and leaders**



7. **Inclusion, stakeholder delivery and corporate social responsibility**



8. **Leaders in restructurings, transformative transactions and innovative financing**

9. **Internationalisation and strategic returns**



10. **Catalysing national development**



2008/2009 Stimulus Packages



# GLCT Programme 2005 – 2015: 10 gaps and challenges – a perspective

1. **Unevenness** - outliers in the Programme



2. **Stagnation and risk of relapse** - flat earnings, diminishing ROE and lower KPIs achievement, difficult to sustain a high level of performance let alone outperformance for long periods.



3. **More challenging business and external environment** – External and domestic economic and socio-political environment. Increased protectionism, excessive liberalisation incl. TPPA.



4. **Limitation of scope** - could not cover the whole universe of GLCs.

5. **Limited impact on industry restructuring in certain sectors** – e.g. automotive, semiconductors and airlines.



6. **Crowding-out vs. crowding-in** – getting the balance right, divest non-core assets, collaborate with the private sector



7. **Gaps in catalysing entrepreneurship** - numerous programmes through VDPs, carve-outs, partnerships. More work is being undertaken under Bumiputera Empowerment Agenda (BEA) programmes.



8. **Talent, leadership and culture** – beware of complacency and hubris, potential crowd-out of scarce managerial and potentially entrepreneurial talent.

9. **Gaps in inclusion initiatives** – limited impact on gender and race inclusiveness.



Axiata in Digital Services



Maybank in Fintech

10. **Innovation capacity deficit**

